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TAGS: [PGOV](#) [PARM](#) [ETRD](#) [KIPR](#) [TW](#) [CH](#)
SUBJECT: CODEL SKELTON DISCUSSES TAIWAN, MIL-MIL
RELATIONSHIP AT NATIONAL PEOPLE'S CONGRESS

Classified By: Deputy Political Minister Counselor Ben Moeling. Reason
s 1.4 (b) and (d).

Summary

1. (C) Taiwan is the most important and sensitive issue in the U.S.-China bilateral relationship, Chairman of the National People's Congress Foreign Affairs Committee Jiang Enzhu told the visiting Congressional delegation led by House Armed Services Committee Chairman Ike Skelton (D-MO) in an August 26 meeting at the Great Hall of the People. Jiang asked the United States to oppose more firmly Chen Shui-bian's efforts to push the referendum on Taiwan independence and urge Congress and the administration to avoid sending "wrong signals" to Taiwan. Chairman Skelton stressed the importance of increasing bilateral military-to-military exchanges, remarking that enhanced mutual understanding between our two militaries would enhance security on both sides. Chairman Jiang said he "totally agreed" on the need to increase mil-mil exchanges and noted "positive momentum" in this area. PLA General Li Yuanzheng, who also attended the meeting, called "strategic trust" the "core" issue in the mil-mil relationship and, in response to U.S. concerns on the January 2007 ASAT test, asked that the United States view the issue in a "calm way" and "not get excited." The delegation also raised trade, particularly currency valuation and intellectual property rights (IPR) issues. The Chinese pushed back, saying the fundamental reason for the trade imbalance is structural. NPC Vice Chairman Sheng Huaren told the delegation at a dinner immediately following the meeting that he and Chairman Jiang will accompany NPC Chairman Wu Bangguo to Washington at the end of October. End Summary.

2. (U) A delegation led by House Armed Services Committee Chairman Ike Skelton (D-MO) and including Representatives Randy Forbes (R-VA), John Spratt (R-SC), Robin Hayes (R-NC), Jeff Flake (R-AZ), Carol Shea-Porter (D-NH), Delegate Madeleine Bordallo (D-GU) and Rear Admiral Mark Ferguson met with NPC Foreign Affairs Committee Chairman Jiang Enzhu at the Great Hall of the People August 26.

Taiwan: Most Important, Sensitive Issue

3. (C) Taiwan is the most important and sensitive issue in the U.S.-China bilateral relationship, Chairman Jiang told Chairman Skelton. We have entered a "period of high danger" that will run through 2008 because Taiwan "President" Chen Shui-bian is promoting a referendum designed to change the constitution and

seek de jure independence, Jiang averred. He said that despite the opposition of the United States and others, Chen Shui-bian has used "every means possible" to change the "one China" status quo. Therefore, in reality, Chen's referendum is a vote on separation from the Mainland. This is a "very serious step" on the path toward independence. If the situation goes unchecked, it will seriously undermine the territorial integrity and sovereignty of China, destabilize cross-Straits relations and damage the common interests of the United States and China, Jiang declared.

14. (C) China is firm and resolute in promoting cross-Straits stability but at the same time is fully prepared to check any behavior designed to achieve Taiwan independence, Jiang continued. As Defense Minister Cao Guangchang said on July 31, China has the capability and determination and has made the necessary preparations to "contain" Taiwanese independence, as well as any major events leading to independence. China appreciates U.S. statements reaffirming its one China policy, as well as U.S. opposition to Taiwan's application to join the UN. Nevertheless, if Chen Shui-bian's attempts to threaten cross-Straits stability go unchecked, there will be "serious consequences" for both Taiwan and the United States. Neither China nor the United States wants to see this outcome. Jiang reminded the delegation that former Deputy Secretary of State Zoellick once told Congress, "Taiwan independence means war." The only way to stop this war is to contain Taiwan's pro-independence behavior, Jiang said.

15. (C) China fully appreciates the important role of

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the House Armed Services Committee and hopes that the Committee will use its influence to contain the "Chen Shui-bian authorities" and do even more to oppose his efforts to push the referendum on Taiwan independence. At the same time, China urges Congress and the administration to avoid sending "wrong signals" to Taiwan. Of particular concern would be the sale of sophisticated weapons to Taiwan or the establishment of any kind of official military relationship with the island. By taking such concrete measures to stop independence, safeguard cross-Straits stability and protect bilateral common interests, we can protect the bilateral relationship together, Jiang asserted.

Mil-Mil Exchanges Increasing

16. (C) Chairman Skelton stressed to Chairman Jiang the importance of increasing bilateral military-to-military exchanges, not only at senior levels but also among more junior officers. He emphasized that enhanced mutual understanding between our two militaries will enhance the security of both sides. Chairman Skelton conveyed Chief of Naval Operations Admiral Mike Mullen's comments on the success of his recent visit to China. In response, Chairman Jiang said he "totally agreed" on the need to increase mil-mil exchanges, including those among younger officers, commenting that the overall relationship is in good shape and enjoying "positive momentum." The consensus among both sides' political and military leadership is to develop the mil-mil relationship further, as witnessed by the recent visits to China by PACOM Commander Admiral Keating and CNO Admiral Mullen, as well as the travel of several Chinese delegations to the United States. Jiang also commented on the exchanges between the two sides' military academies and schools and said that the joint reconnaissance exercise and exchanges among mid-ranking officers had "injected new vitality" into bilateral mil-mil

relations. China is ready to work with the United States on a constructive, cooperative relationship, Chairman Jiang said.

Strategic Trust, China's Military Policy

17. (C) PLA General Li Yuanzheng defined "strategic trust" as the core issue in the mil-mil relationship, lamenting that the lack of strategic trust is the main obstacle to improved military relations between the two sides. Li noted that since 2001, the United States has published seven reports on China's military power. China found a large number of "misconceptions" in the 2007 report, such as the assertion that China's military growth poses a threat to surrounding countries. These misconceptions have damaged China's image and harmed its development. Li said that it is China's right as a sovereign state to develop its defense and ensure its security.

18. (C) Just like the United States, China faces a number of traditional and non-traditional threats, Li continued. The United States has the strongest military in the world yet still develops its military capabilities. It is "right and reasonable" for China to spend money on its military, given the country's economic growth. In 2007, the NPC approved USD 44.9 billion in military spending. The United States, in contrast, spent USD 447.6 billion. China's military budget is too small to pose a threat to others, Li said. Moreover, as a percentage of GDP, China's defense spending is less than that of the United States. Although China's military budget increased 17.8 percent in 2007, China's total fiscal revenue increased 22 percent. By comparison, China's spending on education and health care increased by much larger percentages, which means that most of China's increased spending is going to improve people's lives, not the military. China's military, Li said, is in an overall state of "mechanization" or "semi-mechanization" and is far from its goal of achieving "informatization."

19. (C) When judging whether a country is a threat, it is also important to look at the country's strategy and foreign policy, Li stated. In China's case, its foreign policy is to follow a "peaceful development path" and develop a "harmonious world." China's painful experience of foreign invasion has taught it to develop the economy and oppose war. China does not

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seek world domination and has no expansionist or aggressive designs. Though China is a Communist country, it does not export its political system or way of life. At the same time, China has no intention of pursuing an arms race or military alliances with other countries. China's defense policy is one of "proactive defense." Therefore, the 2007 report on China's military, which claims that the PRC's defense policy is "preemptive," is incorrect. China's tradition is to "not offend others unless first offended." Although China and the United States have different political systems, China believes we can develop constructive, cooperative relations, and hopes it can be a "good friend" of the United States.

10. (C) Representative Spratt replied that the United States shares the goal of developing long-term strategic cooperation with China. Although we have disagreements, we should keep our primary focus on our common strategic interests. Although the United States has a large military budget, it is important to keep in mind that USD 145 billion is being spent this year alone for Iraq, Afghanistan and other items

related to our post-9/11 response. Congressman Spratt raised concerns about China's anti-satellite (ASAT) test earlier this year, which he said took the United States by surprise and should not have been done without forewarning. Additionally, the United States is acutely concerned over the spread of nuclear weapons. Although we have cooperated well on the North Korean issue, we need additional Chinese cooperation on Iran. Representative Hayes also emphasized the importance of Chinese cooperation in preventing Iranian interference in Iraq, where Americans have been killed with Chinese weapons.

¶11. (C) General Li said that regarding the ASAT test, the PRC hopes the United States will view the issue in a "calm way" and "not get excited." The test was not in violation of international law and did not violate any of the seven space treaties. It did not target any person or country. China opposes a space arms race and the "weaponization" of space. China has been working in the UN with Russia and others to reach consensus on this issue, but has so far been unsuccessful. Beijing regrets that due to opposition from Washington, the issue has not been on the UN agenda. General Li said he hopes that an international treaty could prevent space weapons tests by all countries.

Trade/IPR Issues

¶12. (C) Representative Forbes emphasized the importance of currency and intellectual property rights (IPR) issues, telling Chairman Jiang that the United States realizes that the currency problem cannot be solved overnight. Nevertheless, the delegation had witnessed open violations of U.S. intellectual property rights in Beijing. Just as Taiwan is important to the Chinese side, IPR issues are extremely important to the United States and should be important to the PRC and the Chinese people as well.

¶13. (C) Lin Zhaomu, former macroeconomic chief at the National Development and Reform Commission (NDRC), commented on the bilateral trade balance and IPR issues, emphasizing that since the beginning of this year, China has taken steps to lower the trade gap. Starting July 1, China decreased the tax rebates for 2,800 export items and at the same time lowered the import tax on 209 import items, in addition to taking steps to remove previous restrictions on imports. Nevertheless, the fundamental reason for the trade imbalance is structural, said Lin. China and the United States are at different ends of the international value chain. Therefore, efforts on both sides are required to deal with the trade imbalance. Lin said China noted that recently more than 1,000 U.S. economists signed an open letter opposing protectionist trade measures being debated in the U.S. Congress. For example, on the issue of currency, Lin stated China has implemented reform since July 2005 that has led to a 9.25 percent appreciation of the Renminbi. Starting this year, the floating range of the RMB has increased, and it is estimated that this range will increase further. Whatever we do on currency, we should keep in mind that currency measures are not the final solution; that solution

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will require addressing structural issues. On the issue of IPR, Lin said China has made all possible efforts to protect IPR and has made substantial progress, although Beijing admits it still has room for improvement. China is, however, a developing country, so its process of economic transition is

complex.

¶14. (C) Representative Hayes emphasized the importance of the health of the U.S. economy, remarking that his family had been involved in the textiles business since the 1890s. At one point, it was the largest textile company in the world, with more than 25,000 employees. As of two years ago, that company no longer exists, and those people no longer have jobs. This underscores the importance of economic and trade issues to his constituents. Therefore, China should make greater efforts to rein in those Chinese companies who export illegally or do not abide by trade agreements. Chairman Skelton echoed these comments, emphasizing the importance of Chinese action to open up its market to U.S. beef imports.

Religion's Positive Role

¶15. (C) Representative Forbes noted the Congressional delegation's warm welcome at a church service in Beijing earlier in the day and, referring to the positive role played by religion in the United States, said that he looked forward to having an opportunity to discuss ways to expand religious opportunities in China.

"Spirit of Kunming"

¶16. (C) NPC Standing Committee Vice Chairman Sheng Huaren hosted the delegation for dinner immediately following the meeting, offering a toast in which he welcomed many "old friends" in the delegation who have worked to advance American and Chinese common interests. Noting the delegation's visit to Kunming, Sheng commented on the great sacrifice American pilots made for China during WWII when they fought "shoulder-to-shoulder" with their Chinese brethren. Six hundred forty-eight American planes were lost and 1,600 American soldiers shed their blood for China, Sheng said, which represented a vital contribution to fighting Japanese aggression and global fascism. Although 60 years have passed since then, Sheng said this friendship, forged in time of war, remains alive today among the American and Chinese peoples.

¶17. (C) At present, Sheng continued, U.S.-China relations have developed and become one of the most important bilateral relationships in the world. Our two sides need to bear in mind the larger issues of our relations and manage our differences so that our cooperative relationship can continue to move ahead. Sheng also said that he and Chairman Jiang will accompany NPC Chairman Wu Bangguo to Washington at the end of October and look forward to meeting many members of the U.S. Congress at that time. Chairman Skelton offered a toast in which he cited the "band of brothers" formed between our nations during WWII. He expressed his hope that, as we reflect upon our shared experience at that time, the "spirit of Kunming" can be present whenever our two sides meet.

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